

[Letterhead: Diversified Strategies
Consulting, LLC]

May 26, 2015

VIA ELECTRONIC MAIL

Víctor D. Candelario, Esq.
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**Re: Compensation for Termination of Contract
*International Traffic Systems, LLC***

Dear Attorney Candelario:

Greetings from our team. This is to formally acknowledge receipt of the letter dated May 21, 2015, from your clients, the Department of Transportation and Public Works ("DTOP") and the Highways and Transportation Authority ("HTA") (hereinafter jointly referred to as "PRHTA"). According to the letter, it was in response to a letter notified by our client, International Traffic Systems, LLC ("ITS") on May 13, 2015.

As stated in our first letter, it must be noted that the representations and/or assertions made in this letter are purely intended to negotiate this issue out of court and under no circumstances will be admissible in a judicial and/or administrative proceeding. Therefore, ITS expressly establishes that it does not authorize the disclosure of this letter to any third party and/or entity other than those included herein.

To date, there are different positions and/or interpretations regarding the nature and scope of certain provisions contained in Service Contract Number 2014-000182 (the "Contract") entered into by and between PRHTA and ITS. Specifically, ITS categorically disagrees with PRHTA's interpretation of the contract relating to, among other issues, (i) the intent of the parties at the time of establishing the "fully operational" requirement; and (ii) PRHTA's interpretation as to the computation of the compensation for termination for convenience clearly established in section 8.2 of the Contract.

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I, Juan E. Segarra, USCCI #06-067/translator, certify that the foregoing is a true and accurate translation, to the best of my abilities, of the document in Spanish which I have seen.

Víctor D. Candellero, Esq.
May 26, 2015
Page 2

For all legal purposes, including this settlement negotiation, ITS maintains its interpretation of the nature and scope of the clauses of the Contract in question, including the form and manner in which the compensation for contract termination must be calculated. Thus, we hereby present for PRHTA's consideration, a formal offer to settle, in order to resolve any present or future dispute between PRHTA and ITS.

Through a mutual settlement agreement, we inform you that ITS is willing to settle this matter in exchange for a seven-million-dollar (7,000,000.00) payment, computed as follows:

Computation of Compensation for Termination:

\$6 million

+\$1,600,000.00 for operating costs

- \$600,000 for the value of removed equipment

- 0, because PRHTA did not pay any amount to ITS

\$7,000,000.00 (Compensation for Termination of Contract)

It is necessary to clarify that the amounts provided on account of operating costs, value of removed equipment, and payments received by ITS constitute reasonable estimates that have been calculated based on the information and/or documentation in the power of ITS as of today. These estimates are provided only for the purposes of this settlement negotiation. In addition, so long as the existing negotiations between the parties move towards a settlement, ITS is willing to defray the cost of hiring a Certified Public Accountants firm to conduct an exhaustive audit to establish the accuracy of the amounts estimated above.

As for the method and time of payment, ITS is willing to negotiate these matters, taking into consideration factors, including, but not limited to, the current fiscal reality of the Government of Puerto Rico.

Also, but not less important, for purposes of a fair and proper analysis of the matter at hand, it is worth noting that while the contract was in effect, among other things:

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pep

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May 26, 2015
Page 3

1. The PRHTA failed to remit the money collected to the accounts created under the Contract and prevented ITS from accessing such those accounts, as required by the Contract.
2. The PRHTA failed to provide all the data and assistance required under the Contract.
3. The PRHTA prevented ITS from sending the notices of violation duly issued for different reasons, which amount to multimillion dollars.
4. On several occasions, the PRHTA made erroneous declarations regarding ITS' performance, thus causing substantial damages to the reputation of the company and its officers.

As previously stated, the foregoing may lead to a multi-million-dollar lawsuit against the PRHTA, including, but not limited to, a claim of the 45% corresponding to ITS of the \$34.5 million on account of duly issued traffic fines, which, due to PRHTA's negligence, remain unpaid to this day. However, ITS may desist from seeking compensation on such account if an out-of-court settlement is reached based on the compensation formula itemized above.

Lastly, we reiterate our availability to continue an open dialogue regarding this matter in order to reach a settlement soon.


We appreciate your timely attention to this matter.

Sincerely,

[Illegible signature]
Alejandro J. Figueroa-Colón

[Illegible signature]
Carlos J. Sagardía-Abreu

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